2012

CAPITALIZATION RATE STUDY FOR CENTRALLY ASSESSED PROPERTIES

FOR: JANUARY 1, 2012

UTAH STATE TAX COMMISSION

PROPERTY TAX DIVISION
UTILITIES & TRANSPORTATION SECTION
210 NORTH 1950 WEST, THIRD FLOOR
SALT LAKE CITY, UTAH 84134

(801) 297-3600

www.propertytax.utah.gov

REV. 3/7/2012

Industry	Page	Equity Yield Rate	Debt / Equity	Income Tax Rate
LEGACY AIR CARRIERS	3	12.38%	60% / 40%	38.50%
DISCOUNT/REGIONAL CARRIERS	6	10.16%	45% / 55%	35.63%
SOUTHWEST AIRLINES	9	10.13%	30% / 70%	38.27%
FREIGHT AIR CARRIERS	12	11.07%	10% / 90%	36.51%
ELECTRIC UTILITIES	15	9.08%	40% / 60%	34.94%
NATURAL GAS UTILITIES	18	8.11%	35% / 65%	34.39%
NATURAL GAS PIPELINES	21	11.34%	30% / 70%	31.36%
LIQUID PIPELINES	24	10.10%	30% / 70%	38.50%
RAILROAD & TERMINAL	27	12.29%	20% / 80%	35.18%
RAILROAD - SHORTLINE	30	13.58%	20% / 80%	32.62%
WIRELESS TELECOMS	33	9.89%	25% / 75%	37.08%
WIRELINE TELECOMS	36	11.19%	60% / 40%	40.00%
BROADBAND TELECOMS	39	12.24%	60% / 40%	38.50%

CORPORATE BONDS

Aaa	**3.93%**
Aa	**4.03%**
A	**4.40%**
Baa	**5.25%**
Ba1	**7.02%**
Ba2	**8.13%**
Ba3	**8.13%**
B1	**8.17%**
B2	**9.81%**
B3	**9.90%**
Caa1	**12.72%**
Caa2	**12.72%**
Caa3	**13.90%**
Ca	**17.92%**
C	**21.00%**

PUBLIC UTILITY BONDS

Aaa	**N/A**
Aa	**4.00%**
A	**4.33%**
Baa	**5.07%**

PREFERRED STOCKS

Aaa	**N/A**
Aa	**N/A**
A	**5.63%**
Baa	**6.59%**

MISCELLANEOUS RATES

Airline 'TEFRA' Relief Factor	**5.90%**
4-R Act Relief for Railroads	**0.00%**
4-R Act Relief (BNSF only)	**5.91%**
Rural Telephone Equity Rate Adj.	**4.00%**
Default Income Tax Rate	**38.50%**
ValueLine GDP Price Deflator Forecast	**1.00%**

INFLATION FACTORS

Year	4th Quarter GDP Implicit Price Deflator	Annual Percent Change	Conversion Factor
2001	91.232	N/A	**1.249**
2002	92.894	1.82%	**1.227**
2003	94.818	2.07%	**1.202**
2004	97.874	3.22%	**1.164**
2005	101.302	3.50%	**1.125**
2006	104.186	2.85%	**1.094**
2007	106.958	2.66%	**1.065**
2008	109.300	2.19%	**1.043**
2009	109.943	0.59%	**1.036**
2010	111.644	1.55%	**1.021**
2011	113.946	2.06%	**1.000**

2012 - 2002 Average Change: 2.25%

Source:

St. Louis Federal Reserve as of February, 2012

Website:

http://research.stlouisfed.org/fred2/series/GDPDEF

MISCELLANEOUS INFORMATION

Deferred Income Taxes will be subtracted in the Cost Approach for rate-base regulated companies only.

This is to comply with Commission rule R884-24P-62 (Utility Appraisal Rule). If the company is not a rate-base regulated company, no adjustment will be made.

The default depletion rate for the income indicator on leased aircraft will be based upon an approximate 18 year economic life with no salvage value.

Resources:
The Value Line Investment Survey. January 2012 CD
2012 Ibbotson Risk Premia Over Time Report.
Mergent Bond Record. January 2012 Vol. 79 No. 1
2012 Ibbotson Valuation Yearbook

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	**13.03%**
CAPM: Total NYSE	**12.70%**
CAPM: Supply Side	**12.27%**
CAPM: Deciles 1 & 2	**11.88%**
Division's Risk Premium	**10.91%**
DGM: Earnings & Dividend	**0.00%**
DGM: Plowback Ratio	**0.00%**
Reconciled Equity Rate	**12.38%**
Debt/Equity Structure	**60.00% / 40.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.62%
x Industry Beta	1.58
Industry Risk Premium	10.46%
Add: Risk-Free Rate	2.57%
Indicated Rate	**13.03%**

CAPM: FULL NYSE

Market Risk Premium	6.41%
x Industry Beta	1.58
Industry Risk Premium	10.13%
Add: Risk-Free Rate	2.57%
Indicated Rate	**12.70%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Delta Air Lines	NMF	1.22 (C++)	1.40
United Cont'l Hldgs.	NMF	1.22 (C++)	1.70
US Airways Group	NMF	1.33 (C+)	1.65
Mean	**38.50%**	**1.26**	**1.58**

CAPM: SUPPLY SIDE

Market Risk Premium	6.14%
x Industry Beta	1.58
Industry Risk Premium	9.70%
Add: Risk-Free Rate	2.57%
Indicated Rate	**12.27%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.89%
x Industry Beta	1.58
Industry Risk Premium	9.31%
Add: Risk-Free Rate	2.57%
Indicated Rate	**11.88%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.62%
x Industry Financial Strength	1.26
Industry Risk Premium	8.34%
Add: Risk-Free Rate	2.57%
Indicated Rate	**10.91%**

COMMENTS ABOUT THE LEGACY AIR CARRIERS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Delta Air Lines	$8.09	-	-	-	-	-
United Cont'l Hldgs.	$18.84	-	-	-	-	-
US Airways Group	$5.23	-	-	-	-	-
Indicated Rate						**0.00%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Delta Air Lines	$8.09	-	26.00%	100.00%	26.00%	-
United Cont'l Hldgs.	$18.84	-	22.50%	100.00%	22.50%	-
US Airways Group	$5.23	-	35.50%	100.00%	35.50%	-
Indicated Rate						**0.00%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Delta Air Lines	12,557.0	780.0	3.11%	8,556.1	-	-	8.09	834.7	6,752.7
United Cont'l Hldgs.	11,818.0	900.0	3.81%	9,485.7	-	-	18.84	327.9	6,177.6
US Airways Group	3,987.0	300.0	3.76%	3,168.8	-	-	5.23	161.9	846.7
Total				**21,210.6**		**-**			**13,777.0**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Delta Air Lines	55.89%	44.11%
United Cont'l Hldgs.	60.56%	39.44%
US Airways Group	78.91%	21.09%
Mean	**65.12%**	**34.88%**
Weighted Mean	**60.62%**	**39.38%**

REMARKS

* Market Value of Debt: 9.90% (Corporate B3)

** Market Value of Pref. Equity: 6.59% (Baa)

DISCOUNT/REGIONAL CARRIERS -- EQUITY RATE MODELS

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	**10.18%**
CAPM: Total NYSE	**9.94%**
CAPM: Supply Side	**9.63%**
CAPM: Deciles 1 & 2	**9.34%**
Division's Risk Premium	**10.65%**
DGM: Earnings & Dividend	**10.00%**
DGM: Plowback Ratio	**9.69%**
Reconciled Equity Rate	**10.16%**
Debt/Equity Structure	**45.00% / 55.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.62%
x Industry Beta	1.15
Industry Risk Premium	7.61%
Add: Risk-Free Rate	2.57%
Indicated Rate	**10.18%**

CAPM: FULL NYSE

Market Risk Premium	6.41%
x Industry Beta	1.15
Industry Risk Premium	7.37%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.94%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Alaska Air Group	37.34%	1.22 (C++)	1.15
Hawaiian Hldgs.	28.94%	1.22 (C++)	1.10
JetBlue Airways	39.75%	1.22 (C++)	1.25
Republic Airways Holdings Inc	NMF	1.33 (C+)	NMF
SkyWest	36.50%	1.11 (B)	1.10
Mean	**35.63%**	**1.22**	**1.15**

CAPM: SUPPLY SIDE

Market Risk Premium	6.14%
x Industry Beta	1.15
Industry Risk Premium	7.06%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.63%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.89%
x Industry Beta	1.15
Industry Risk Premium	6.77%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.34%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.62%
x Industry Financial Strength	1.22
Industry Risk Premium	8.08%
Add: Risk-Free Rate	2.57%
Indicated Rate	**10.65%**

COMMENTS ABOUT THE DISCOUNT/REGIONAL CARRIERS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Alaska Air Group	$75.94	-	23.00%	-	23.00%	-
Hawaiian Hldgs.	$5.86	-	22.00%	-	22.00%	-
JetBlue Airways	$5.26	-	45.00%	-	45.00%	-
Republic Airways Holdings Inc	$3.37	-	3.00%	-	3.00%	-
SkyWest	$12.82	$0.16	12.00%	5.50%	8.75%	10.00%
Indicated Rate						**10.00%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Alaska Air Group	$75.94	-	16.00%	100.00%	16.00%	-
Hawaiian Hldgs.	$5.86	-	26.50%	100.00%	26.50%	-
JetBlue Airways	$5.26	-	13.00%	100.00%	13.00%	-
Republic Airways Holdings Inc	$3.37	-	-	100.00%	-	-
SkyWest	$12.82	$0.16	9.00%	93.75%	8.44%	9.69%
Indicated Rate						**9.69%**

DISCOUNT/REGIONAL CARRIERS -- CAPITAL STRUCTURE

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Alaska Air Group	1,178.8	80.0	3.39%	869.0	-	-	75.94	35.9	2,726.2
Hawaiian Hldgs.	369.6	18.0	2.44%	210.9	-	-	5.86	50.2	294.2
JetBlue Airways	2,864.0	170.0	2.97%	1,899.5	-	-	5.26	294.7	1,550.1
Republic Airways Holdings Inc	177.0	-	-	177.0	-	-	3.37	48.2	162.4
SkyWest	1,626.3	90.0	2.77%	1,021.8	-	-	12.82	54.2	694.8
Total				**4,178.2**		**-**			**5,427.7**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Alaska Air Group	24.17%	75.83%
Hawaiian Hldgs.	41.75%	58.25%
JetBlue Airways	55.06%	44.94%
Republic Airways Holdings Inc	52.15%	47.85%
SkyWest	59.52%	40.48%
Mean	**46.53%**	**53.47%**
Weighted Mean	**43.50%**	**56.50%**

REMARKS

* Market Value of Debt: 9.81% (Corporate B2)

** Market Value of Pref. Equity: 6.59% (Baa)

SOUTHWEST AIRLINES -- EQUITY RATE MODELS

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	**9.19%**
CAPM: Total NYSE	**8.98%**
CAPM: Supply Side	**8.71%**
CAPM: Deciles 1 & 2	**8.46%**
Division's Risk Premium	**9.19%**
DGM: Earnings & Dividend	**14.73%**
DGM: Plowback Ratio	**14.58%**
Reconciled Equity Rate	**10.13%**
Debt/Equity Structure	**30.00% / 70.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.62%
x Industry Beta	1.00
Industry Risk Premium	6.62%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.19%**

CAPM: FULL NYSE

Market Risk Premium	6.41%
x Industry Beta	1.00
Industry Risk Premium	6.41%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.98%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Southwest Airlines	38.27%	1.00 (B+)	1.00
Mean	**38.27%**	**1.00**	**1.00**

CAPM: SUPPLY SIDE

Market Risk Premium	6.14%
x Industry Beta	1.00
Industry Risk Premium	6.14%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.71%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.89%
x Industry Beta	1.00
Industry Risk Premium	5.89%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.46%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.62%
x Industry Financial Strength	1.00
Industry Risk Premium	6.62%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.19%**

COMMENTS ABOUT THE SOUTHWEST AIRLINES INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Southwest Airlines	$8.60	$0.02	28.00%	1.00%	14.50%	14.73%
Indicated Rate						**14.73%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Southwest Airlines	$8.60	$0.02	14.50%	98.97%	14.35%	14.58%
Indicated Rate						**14.58%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Southwest Airlines	3,220.0	150.0	2.33%	2,985.9	-	-	8.60	747.4	6,427.6
Total				**2,985.9**		**-**			**6,427.6**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Southwest Airlines	31.72%	68.28%
Mean	**31.72%**	**68.28%**
Weighted Mean	**31.72%**	**68.28%**

REMARKS

* Market Value of Debt: 5.25% (Corporate Baa)

** Market Value of Pref. Equity: 6.59% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	11.37%
CAPM: Total NYSE	11.10%
CAPM: Supply Side	10.74%
CAPM: Deciles 1 & 2	10.40%
Division's Risk Premium	9.19%
DGM: Earnings & Dividend	12.35%
DGM: Plowback Ratio	16.83%
Reconciled Equity Rate	**11.07%**
Debt/Equity Structure	**10.00% / 90.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.62%
x Industry Beta	1.33
Industry Risk Premium	8.80%
Add: Risk-Free Rate	2.57%
Indicated Rate	**11.37%**

CAPM: FULL NYSE

Market Risk Premium	6.41%
x Industry Beta	1.33
Industry Risk Premium	8.53%
Add: Risk-Free Rate	2.57%
Indicated Rate	**11.10%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Air Transport Services Grp.	36.98%	1.22 (C++)	1.80
Atlas Air Worldwide	37.14%	1.11 (B)	1.65
FedEx Corp.	36.93%	0.89 (B++)	1.00
United Parcel Serv.	35.00%	0.78 (A)	0.85
Mean	**36.51%**	**1.00**	**1.33**

CAPM: SUPPLY SIDE

Market Risk Premium	6.14%
x Industry Beta	1.33
Industry Risk Premium	8.17%
Add: Risk-Free Rate	2.57%
Indicated Rate	**10.74%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.89%
x Industry Beta	1.33
Industry Risk Premium	7.83%
Add: Risk-Free Rate	2.57%
Indicated Rate	**10.40%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.62%
x Industry Financial Strength	1.00
Industry Risk Premium	6.62%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.19%**

COMMENTS ABOUT THE FREIGHT AIR CARRIERS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Air Transport Services Grp.	$4.75	-	9.55%	-	9.55%	-
Atlas Air Worldwide	$38.54	-	11.50%	-	11.50%	-
FedEx Corp.	$84.31	$0.52	21.00%	7.00%	14.00%	14.62%
United Parcel Serv.	$73.53	$2.08	11.00%	3.50%	7.25%	10.08%
Indicated Rate						**12.35%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Air Transport Services Grp.	$4.75	-	13.20%	100.00%	13.20%	-
Atlas Air Worldwide	$38.54	-	10.00%	100.00%	10.00%	-
FedEx Corp.	$84.31	$0.52	13.00%	93.99%	12.22%	12.84%
United Parcel Serv.	$73.53	$2.08	29.00%	62.03%	17.99%	20.82%
Indicated Rate						**16.83%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Air Transport Services Grp.	323.1	-	-	323.1	-	-	4.75	63.7	302.6
Atlas Air Worldwide	466.2	35.0	3.75%	657.6	1.0	15.2	38.54	25.9	998.2
FedEx Corp.	1,367.0	70.0	2.56%	1,497.1	-	-	84.31	317.0	26,726.3
United Parcel Serv.	11,092.0	305.0	1.37%	8,673.9	-	-	73.53	987.1	72,581.5
Total				**11,151.7**		**15.2**			**100,608.6**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Air Transport Services Grp.	51.64%	48.36%
Atlas Air Worldwide	40.26%	59.74%
FedEx Corp.	5.30%	94.70%
United Parcel Serv.	10.67%	89.33%
Mean	**26.97%**	**73.03%**
Weighted Mean	**9.99%**	**90.01%**

REMARKS

* Market Value of Debt: 4.40% (Corporate A)

** Market Value of Pref. Equity: 6.59% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	**7.54%**
CAPM: Total NYSE	**7.38%**
CAPM: Supply Side	**7.18%**
CAPM: Deciles 1 & 2	**6.99%**
Division's Risk Premium	**8.59%**
DGM: Earnings & Dividend	**10.62%**
DGM: Plowback Ratio	**8.19%**
Reconciled Equity Rate	**9.08%**
Debt/Equity Structure	**40.00% / 60.00%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Ameren Corp.	36.81%	0.89 (B++)	0.80
CMS Energy Corp.	38.10%	1.00 (B+)	0.75
Constellation Energy	35.83%	1.00 (B+)	0.80
DTE Energy	32.74%	1.00 (B+)	0.75
G't Plains Energy	31.74%	1.00 (B+)	0.75
Integrys Energy	40.42%	0.89 (B++)	0.90
Northeast Utilities	36.58%	1.00 (B+)	0.70
NSTAR	38.79%	0.78 (A)	0.65
OGE Energy	34.89%	0.78 (A)	0.80
Pinnacle West Capital	31.91%	0.89 (B++)	0.70
Portland General	30.46%	1.00 (B+)	0.75
SCANA Corp.	29.78%	0.78 (A)	0.70
TECO Energy	34.81%	1.00 (B+)	0.85
Vectren Corp.	35.85%	0.78 (A)	0.70
Wisconsin Energy	35.42%	0.89 (B++)	0.65
Mean	**34.94%**	**0.91**	**0.75**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.62%
x Industry Beta	0.75
Industry Risk Premium	4.97%
Add: Risk-Free Rate	2.57%
Indicated Rate	**7.54%**

CAPM: FULL NYSE

Market Risk Premium	6.41%
x Industry Beta	0.75
Industry Risk Premium	4.81%
Add: Risk-Free Rate	2.57%
Indicated Rate	**7.38%**

CAPM: SUPPLY SIDE

Market Risk Premium	6.14%
x Industry Beta	0.75
Industry Risk Premium	4.61%
Add: Risk-Free Rate	2.57%
Indicated Rate	**7.18%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.89%
x Industry Beta	0.75
Industry Risk Premium	4.42%
Add: Risk-Free Rate	2.57%
Indicated Rate	**6.99%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.62%
x Industry Financial Strength	0.91
Industry Risk Premium	6.02%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.59%**

COMMENTS ABOUT THE ELECTRIC UTILITIES INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Ameren Corp.	$33.59	$1.62	-2.00%	-1.00%	-1.50%	-
CMS Energy Corp.	$22.35	$0.92	7.00%	7.00%	7.00%	11.12%
Constellation Energy	$39.89	$0.96	16.50%	NMF	16.50%	18.91%
DTE Energy	$55.02	$2.42	4.50%	4.00%	4.25%	8.65%
G't Plains Energy	$21.93	$0.86	6.00%	-	6.00%	9.92%
Integrys Energy	$54.38	$2.72	9.00%	-	9.00%	14.00%
Northeast Utilities	$36.24	$1.18	7.50%	7.00%	7.25%	10.51%
NSTAR	$47.21	$1.80	7.00%	6.00%	6.50%	10.31%
OGE Energy	$56.82	$1.59	6.50%	4.00%	5.25%	8.05%
Pinnacle West Capital	$48.59	$2.10	6.00%	1.50%	3.75%	8.07%
Portland General	$25.46	$1.07	7.50%	3.00%	5.25%	9.45%
SCANA Corp.	$45.34	$1.98	3.00%	2.00%	2.50%	6.87%
TECO Energy	$19.26	$0.89	10.50%	4.50%	7.50%	12.12%
Vectren Corp.	$30.54	$1.41	5.50%	3.00%	4.25%	8.87%
Wisconsin Energy	$35.29	$1.20	8.50%	8.50%	8.50%	11.90%
Indicated Rate						**10.62%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Ameren Corp.	$33.59	$1.62	7.00%	33.00%	2.31%	7.13%
CMS Energy Corp.	$22.35	$0.92	13.00%	44.00%	5.72%	9.84%
Constellation Energy	$39.89	$0.96	6.50%	64.00%	4.16%	6.57%
DTE Energy	$55.02	$2.42	9.00%	37.00%	3.33%	7.73%
G't Plains Energy	$21.93	$0.86	6.50%	41.00%	2.67%	6.59%
Integrys Energy	$54.38	$2.72	9.00%	23.00%	2.07%	7.07%
Northeast Utilities	$36.24	$1.18	10.50%	52.00%	5.46%	8.72%
NSTAR	$47.21	$1.80	13.50%	34.00%	4.59%	8.40%
OGE Energy	$56.82	$1.59	13.00%	57.00%	7.41%	10.21%
Pinnacle West Capital	$48.59	$2.10	9.00%	37.00%	3.33%	7.65%
Portland General	$25.46	$1.07	9.00%	48.00%	4.32%	8.52%
SCANA Corp.	$45.34	$1.98	9.50%	37.00%	3.52%	7.88%
TECO Energy	$19.26	$0.89	13.00%	39.00%	5.07%	9.69%
Vectren Corp.	$30.54	$1.41	10.00%	27.00%	2.70%	7.32%
Wisconsin Energy	$35.29	$1.20	13.00%	47.00%	6.11%	9.51%
Indicated Rate						**8.19%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Ameren Corp.	6,682.0	431.0	3.23%	7,667.7	8.0	121.4	33.59	240.4	8,075.0
CMS Energy Corp.	6,208.0	348.0	2.80%	6,479.4	2.0	30.3	22.35	249.6	5,578.6
Constellation Energy	4,553.9	273.2	3.00%	4,973.3	13.2	200.3	39.89	199.8	7,970.0
DTE Energy	7,497.0	427.0	2.85%	7,907.6	-	-	55.02	169.4	9,320.4
G't Plains Energy	2,750.1	161.6	2.94%	2,961.8	1.6	24.3	21.93	135.7	2,975.9
Integrys Energy	2,080.7	116.5	2.80%	2,170.0	3.1	47.0	54.38	77.3	4,203.6
Northeast Utilities	4,503.3	270.2	3.00%	4,918.5	5.6	85.0	36.24	176.4	6,392.7
NSTAR	2,200.8	113.3	2.57%	2,173.2	2.0	30.3	47.21	103.6	4,891.0
OGE Energy	2,586.9	149.6	2.89%	2,756.4	-	-	56.82	97.6	5,545.6
Pinnacle West Capital	3,046.6	181.3	2.98%	3,309.1	-	-	48.59	108.8	5,286.6
Portland General	1,798.0	104.0	2.89%	1,916.1	-	-	25.46	75.3	1,917.1
SCANA Corp.	4,376.0	231.0	2.64%	4,391.5	-	-	45.34	127.0	5,758.2
TECO Energy	2,690.0	173.5	3.22%	3,086.7	-	-	19.26	214.9	4,139.0
Vectren Corp.	1,581.1	90.0	2.85%	1,667.0	-	-	30.54	81.7	2,495.1
Wisconsin Energy	4,618.9	261.0	2.83%	4,846.4	1.2	18.2	35.29	233.8	8,250.8
Total				**61,224.7**		**556.8**			**82,799.6**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Ameren Corp.	49.10%	50.90%
CMS Energy Corp.	53.85%	46.15%
Constellation Energy	39.36%	60.64%
DTE Energy	45.90%	54.10%
G't Plains Energy	50.09%	49.91%
Integrys Energy	34.53%	65.47%
Northeast Utilities	43.90%	56.10%
NSTAR	31.06%	68.94%
OGE Energy	33.20%	66.80%
Pinnacle West Capital	38.50%	61.50%
Portland General	49.99%	50.01%
SCANA Corp.	43.27%	56.73%
TECO Energy	42.72%	57.28%
Vectren Corp.	40.05%	59.95%
Wisconsin Energy	37.09%	62.91%
Mean	**42.17%**	**57.83%**
Weighted Mean	**42.73%**	**57.27%**

REMARKS

* Market Value of Debt: 5.25% (Corporate Baa)

** Market Value of Pref. Equity: 6.59% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	**7.47%**
CAPM: Total NYSE	**7.31%**
CAPM: Supply Side	**7.11%**
CAPM: Deciles 1 & 2	**6.93%**
Division's Risk Premium	**8.73%**
DGM: Earnings & Dividend	**8.22%**
DGM: Plowback Ratio	**8.67%**
Reconciled Equity Rate	**8.11%**
Debt/Equity Structure	**35.00% / 65.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.62%
x Industry Beta	0.74
Industry Risk Premium	4.90%
Add: Risk-Free Rate	2.57%
Indicated Rate	**7.47%**

CAPM: FULL NYSE

Market Risk Premium	6.41%
x Industry Beta	0.74
Industry Risk Premium	4.74%
Add: Risk-Free Rate	2.57%
Indicated Rate	**7.31%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
AGL Resources	35.90%	0.78 (A)	0.75
Atmos Energy	38.50%	1.00 (B+)	0.70
Laclede Group	33.39%	0.89 (B++)	0.60
NiSource Inc.	32.45%	1.11 (B)	0.85
Northwest Nat. Gas	40.50%	0.78 (A)	0.60
Piedmont Natural Gas	23.44%	0.89 (B++)	0.70
Questar Corp.	36.26%	0.89 (B++)	1.00
Southwest Gas	34.68%	1.11 (B)	0.75
Mean	**34.39%**	**0.93**	**0.74**

CAPM: SUPPLY SIDE

Market Risk Premium	6.14%
x Industry Beta	0.74
Industry Risk Premium	4.54%
Add: Risk-Free Rate	2.57%
Indicated Rate	**7.11%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.89%
x Industry Beta	0.74
Industry Risk Premium	4.36%
Add: Risk-Free Rate	2.57%
Indicated Rate	**6.93%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.62%
x Industry Financial Strength	0.93
Industry Risk Premium	6.16%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.73%**

COMMENTS ABOUT THE NATURAL GAS UTILITIES INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
AGL Resources	$42.70	$1.80	4.50%	2.00%	3.25%	7.47%
Atmos Energy	$33.66	$1.39	5.00%	1.50%	3.25%	7.38%
Laclede Group	$41.09	$1.66	2.50%	2.50%	2.50%	6.54%
NiSource Inc.	$23.88	$0.92	9.50%	-	9.50%	13.35%
Northwest Nat. Gas	$48.66	$1.78	4.00%	3.00%	3.50%	7.16%
Piedmont Natural Gas	$34.43	$1.16	2.50%	3.50%	3.00%	6.37%
Questar Corp.	$20.02	$0.66	-8.00%	7.50%	-0.25%	-
Southwest Gas	$43.00	$1.09	9.00%	4.50%	6.75%	9.28%
Indicated Rate						**8.22%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
AGL Resources	$42.70	$1.80	12.00%	47.73%	5.73%	9.94%
Atmos Energy	$33.66	$1.39	9.00%	46.30%	4.17%	8.30%
Laclede Group	$41.09	$1.66	10.00%	40.98%	4.10%	8.14%
NiSource Inc.	$23.88	$0.92	9.00%	50.27%	4.52%	8.38%
Northwest Nat. Gas	$48.66	$1.78	10.00%	44.12%	4.41%	8.07%
Piedmont Natural Gas	$34.43	$1.16	12.50%	27.22%	3.40%	6.77%
Questar Corp.	$20.02	$0.66	16.50%	50.00%	8.25%	11.55%
Southwest Gas	$43.00	$1.09	9.50%	59.68%	5.67%	8.20%
Indicated Rate						**8.67%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
AGL Resources	2,687.0	175.0	3.26%	3,170.8	-	-	42.70	78.0	3,330.6
Atmos Energy	2,206.1	110.0	2.49%	2,183.0	-	-	33.66	90.2	3,036.1
Laclede Group	364.3	20.0	2.74%	383.4	-	-	41.09	22.3	916.3
NiSource Inc.	6,337.3	317.0	2.50%	6,283.6	-	-	23.88	279.3	6,669.7
Northwest Nat. Gas	601.7	42.1	3.50%	746.4	-	-	48.66	26.6	1,294.4
Piedmont Natural Gas	675.0	50.2	3.72%	874.4	-	-	34.43	72.3	2,489.3
Questar Corp.	881.4	50.0	2.84%	947.7	-	-	20.02	176.5	3,533.5
Southwest Gas	936.9	70.0	3.74%	1,217.6	-	-	43.00	45.6	1,960.8
Total				**15,806.9**		**-**			**23,230.7**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
AGL Resources	48.77%	51.23%
Atmos Energy	41.83%	58.17%
Laclede Group	29.50%	70.50%
NiSource Inc.	48.51%	51.49%
Northwest Nat. Gas	36.57%	63.43%
Piedmont Natural Gas	26.00%	74.00%
Questar Corp.	21.15%	78.85%
Southwest Gas	38.31%	61.69%
Mean	**36.33%**	**63.67%**
Weighted Mean	**40.49%**	**59.51%**

REMARKS

* Market Value of Debt: 5.07% (Utility Baa)

** Market Value of Pref. Equity: 6.59% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	**8.79%**
CAPM: Total NYSE	**8.60%**
CAPM: Supply Side	**8.34%**
CAPM: Deciles 1 & 2	**8.11%**
Division's Risk Premium	**9.19%**
DGM: Earnings & Dividend	**13.87%**
DGM: Plowback Ratio	**10.26%**
Reconciled Equity Rate	**11.34%**
Debt/Equity Structure	**30.00% / 70.00%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Boardwalk Pipeline	NMF	1.00 (B+)	0.85
El Paso Pipeline	NMF	1.11 (B)	0.75
Enterprise Products	NMF	1.00 (B+)	0.85
Kinder Morgan Energy	NMF	1.00 (B+)	0.75
ONEOK Inc.	38.99%	1.00 (B+)	1.00
Questar Corp.	36.26%	0.89 (B++)	
Spectra Energy	28.69%	1.11 (B)	1.00
TransCanada Corp.	21.51%	0.89 (B++)	0.90
Williams Cos.	NMF	1.00 (B+)	1.30
Williams Partners L.P.	NMF	1.00 (B+)	1.05
Mean	**31.36%**	**1.00**	**0.94**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.62%
x Industry Beta	0.94
Industry Risk Premium	6.22%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.79%**

CAPM: FULL NYSE

Market Risk Premium	6.41%
x Industry Beta	0.94
Industry Risk Premium	6.03%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.60%**

CAPM: SUPPLY SIDE

Market Risk Premium	6.14%
x Industry Beta	0.94
Industry Risk Premium	5.77%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.34%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.89%
x Industry Beta	0.94
Industry Risk Premium	5.54%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.11%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.62%
x Industry Financial Strength	1.00
Industry Risk Premium	6.62%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.19%**

COMMENTS ABOUT THE NATURAL GAS PIPELINES INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Boardwalk Pipeline	$27.64	$2.11	6.00%	5.00%	5.50%	13.13%
El Paso Pipeline	$34.61	$1.96	13.50%	12.00%	12.75%	18.41%
Enterprise Products	$46.19	$2.45	9.50%	8.00%	8.75%	14.05%
Kinder Morgan Energy	$84.24	$4.98	7.50%	6.00%	6.75%	12.66%
ONEOK Inc.	$86.70	$2.40	8.50%	10.00%	9.25%	12.02%
Questar Corp.	$20.02	$0.66	-8.00%	7.50%	-0.25%	-
Spectra Energy	$30.85	$1.14	7.00%	5.50%	6.25%	9.95%
TransCanada Corp.	$43.24	$1.68	10.50%	4.00%	7.25%	11.14%
Williams Cos.	$32.55	$1.00	10.50%	22.00%	16.25%	19.32%
Williams Partners L.P.	$60.56	$3.14	9.50%	8.50%	9.00%	14.18%
Indicated Rate						**13.87%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Boardwalk Pipeline	$27.64	$2.11	11.00%	-26.83%	-2.95%	-
El Paso Pipeline	$34.61	$1.96	11.50%	95.15%	10.94%	16.61%
Enterprise Products	$46.19	$2.45	17.00%	-13.11%	-2.23%	-
Kinder Morgan Energy	$84.24	$4.98	25.00%	-136.00%	-34.00%	-
ONEOK Inc.	$86.70	$2.40	13.50%	37.50%	5.06%	7.83%
Questar Corp.	$20.02	$0.66	16.50%	50.00%	8.25%	11.55%
Spectra Energy	$30.85	$1.14	13.00%	42.13%	5.48%	9.17%
TransCanada Corp.	$43.24	$1.68	11.00%	48.57%	5.34%	9.23%
Williams Cos.	$32.55	$1.00	16.00%	42.31%	6.77%	9.84%
Williams Partners L.P.	$60.56	$3.14	25.00%	9.68%	2.42%	7.60%
Indicated Rate						**10.26%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Boardwalk Pipeline	3,198.2	155.0	2.42%	3,109.0	-	-	27.64	192.6	5,323.5
El Paso Pipeline	3,865.0	236.7	3.06%	4,373.4	-	-	34.61	177.2	6,132.9
Enterprise Products	14,108.7	715.0	2.53%	14,104.8	-	-	46.19	843.7	38,970.5
Kinder Morgan Energy	10,662.2	425.0	1.99%	9,220.1	-	-	84.24	316.1	26,628.3
ONEOK Inc.	4,532.0	300.0	3.31%	5,408.3	-	-	86.70	106.8	9,259.6
Questar Corp.	881.4	50.0	2.84%	947.7	-	-	20.02	176.5	3,533.5
Spectra Energy	10,234.0	635.0	3.10%	11,683.1	-	-	30.85	648.6	20,009.3
TransCanada Corp.	16,345.9	300.0	0.92%	9,748.5	45.0	682.9	43.24	696.2	30,103.7
Williams Cos.	9,024.0	625.0	3.46%	11,113.8	-	-	32.55	585.0	19,041.8
Williams Partners L.P.	6,815.0	400.0	2.93%	7,494.8	-	-	60.56	289.8	17,550.3
Total				**77,203.5**		**682.9**			**176,553.4**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Boardwalk Pipeline	36.87%	63.13%
El Paso Pipeline	41.63%	58.37%
Enterprise Products	26.58%	73.42%
Kinder Morgan Energy	25.72%	74.28%
ONEOK Inc.	36.87%	63.13%
Questar Corp.	21.15%	78.85%
Spectra Energy	36.86%	63.14%
TransCanada Corp.	25.73%	74.27%
Williams Cos.	36.85%	63.15%
Williams Partners L.P.	29.93%	70.07%
Mean	**31.82%**	**68.18%**
Weighted Mean	**30.61%**	**69.39%**

REMARKS

* Market Value of Debt: 5.07% (Utility Baa)

** Market Value of Pref. Equity: 6.59% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	**8.06%**
CAPM: Total NYSE	**7.89%**
CAPM: Supply Side	**7.67%**
CAPM: Deciles 1 & 2	**7.46%**
Division's Risk Premium	**8.93%**
DGM: Earnings & Dividend	**12.14%**
DGM: Plowback Ratio	**5.32%**
Reconciled Equity Rate	**10.10%**
Debt/Equity Structure	**30.00% / 70.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.62%
x Industry Beta	0.83
Industry Risk Premium	5.49%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.06%**

CAPM: FULL NYSE

Market Risk Premium	6.41%
x Industry Beta	0.83
Industry Risk Premium	5.32%
Add: Risk-Free Rate	2.57%
Indicated Rate	**7.89%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Buckeye Partners L.P.	NMF	1.00 (B+)	0.80
Enbridge Energy Partners LLP	NMF	0.89 (B++)	0.90
Enterprise Products	NMF	1.00 (B+)	0.85
Kinder Morgan Energy	NMF	1.00 (B+)	0.75
Magellan Midstream	NMF	0.89 (B++)	0.85
Plains All Amer. Pipe.	NMF	1.00 (B+)	0.85
Mean	**38.50%**	**0.96**	**0.83**

CAPM: SUPPLY SIDE

Market Risk Premium	6.14%
x Industry Beta	0.83
Industry Risk Premium	5.10%
Add: Risk-Free Rate	2.57%
Indicated Rate	**7.67%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.89%
x Industry Beta	0.83
Industry Risk Premium	4.89%
Add: Risk-Free Rate	2.57%
Indicated Rate	**7.46%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.62%
x Industry Financial Strength	0.96
Industry Risk Premium	6.36%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.93%**

COMMENTS ABOUT THE LIQUID PIPELINES INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Buckeye Partners L.P.	$64.17	$4.10	7.50%	4.50%	6.00%	12.39%
Enbridge Energy Partners LLP	$32.89	-	2.50%	-	2.50%	-
Enterprise Products	$46.19	$2.45	9.50%	8.00%	8.75%	14.05%
Kinder Morgan Energy	$84.24	$4.98	7.50%	6.00%	6.75%	12.66%
Magellan Midstream	$68.97	$3.20	6.00%	5.50%	5.75%	10.39%
Plains All Amer. Pipe.	$72.99	$3.98	7.50%	4.00%	5.75%	11.20%
Indicated Rate						**12.14%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Buckeye Partners L.P.	$64.17	$4.10	12.75%	-1.06%	-0.14%	-
Enbridge Energy Partners LLP	$32.89	-	-	-	-	-
Enterprise Products	$46.19	$2.45	17.00%	-13.11%	-2.23%	-
Kinder Morgan Energy	$84.24	$4.98	25.00%	-136.00%	-34.00%	-
Magellan Midstream	$68.97	$3.20	22.50%	1.75%	0.39%	5.03%
Plains All Amer. Pipe.	$72.99	$3.98	14.00%	1.06%	0.15%	5.60%
Indicated Rate						**5.32%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Buckeye Partners L.P.	2,315.1	115.0	2.48%	2,285.5	-	-	64.17	71.4	4,581.7
Enbridge Energy Partners LLP	5,345.9	-	-	5,345.9	-	-	32.89	209.1	6,877.3
Enterprise Products	14,108.7	715.0	2.53%	14,104.8	-	-	46.19	843.7	38,970.5
Kinder Morgan Energy	10,662.2	425.0	1.99%	9,220.1	-	-	84.24	316.1	26,628.3
Magellan Midstream	2,042.2	100.0	2.45%	1,998.0	-	-	68.97	112.5	7,759.1
Plains All Amer. Pipe.	4,500.0	190.0	2.11%	4,024.0	-	-	72.99	141.2	10,306.2
Total				**36,978.3**		**-**			**95,123.1**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Buckeye Partners L.P.	33.28%	66.72%
Enbridge Energy Partners LLP	43.74%	56.26%
Enterprise Products	26.58%	73.42%
Kinder Morgan Energy	25.72%	74.28%
Magellan Midstream	20.48%	79.52%
Plains All Amer. Pipe.	28.08%	71.92%
Mean	**29.64%**	**70.36%**
Weighted Mean	**27.99%**	**72.01%**

REMARKS

* Market Value of Debt: 5.07% (Utility Baa)

** Market Value of Pref. Equity: 6.59% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	**10.18%**
CAPM: Total NYSE	**9.94%**
CAPM: Supply Side	**9.63%**
CAPM: Deciles 1 & 2	**9.34%**
Division's Risk Premium	**8.13%**
DGM: Earnings & Dividend	**16.71%**
DGM: Plowback Ratio	**15.13%**
Reconciled Equity Rate	**12.29%**
Debt/Equity Structure	**20.00% / 80.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.62%
x Industry Beta	1.15
Industry Risk Premium	7.61%
Add: Risk-Free Rate	2.57%
Indicated Rate	**10.18%**

CAPM: FULL NYSE

Market Risk Premium	6.41%
x Industry Beta	1.15
Industry Risk Premium	7.37%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.94%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Can. National Railway	27.53%	0.78 (A)	1.15
CSX Corp.	39.09%	0.89 (B++)	1.20
Norfolk Southern	36.80%	0.89 (B++)	1.10
Union Pacific	37.29%	0.78 (A)	1.15
Mean	**35.18%**	**0.84**	**1.15**

CAPM: SUPPLY SIDE

Market Risk Premium	6.14%
x Industry Beta	1.15
Industry Risk Premium	7.06%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.63%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.89%
x Industry Beta	1.15
Industry Risk Premium	6.77%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.34%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.62%
x Industry Financial Strength	0.84
Industry Risk Premium	5.56%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.13%**

COMMENTS ABOUT THE RAILROAD & TERMINAL INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Can. National Railway	$77.22	$1.30	13.00%	12.50%	12.75%	14.43%
CSX Corp.	$21.02	$0.48	17.50%	17.50%	17.50%	19.78%
Norfolk Southern	$72.85	$1.72	13.50%	10.50%	12.00%	14.36%
Union Pacific	$105.35	$2.40	16.00%	16.00%	16.00%	18.28%
Indicated Rate						**16.71%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Can. National Railway	$77.22	$1.30	18.50%	74.00%	13.69%	15.37%
CSX Corp.	$21.02	$0.48	22.00%	72.00%	15.84%	18.12%
Norfolk Southern	$72.85	$1.72	15.00%	71.00%	10.65%	13.01%
Union Pacific	$105.35	$2.40	17.00%	69.00%	11.73%	14.01%
Indicated Rate						**15.13%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Can. National Railway	5,878.0	340.0	2.89%	6,264.0	-	-	77.22	459.4	35,474.9
CSX Corp.	8,160.0	552.0	3.38%	9,679.2	-	-	21.02	1,111.0	23,353.2
Norfolk Southern	6,782.0	440.0	3.24%	7,813.8	-	-	72.85	357.4	26,036.6
Union Pacific	8,765.0	530.0	3.02%	9,623.4	-	-	105.35	491.6	51,790.1
Total				**33,380.4**		**-**			**136,654.8**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Can. National Railway	15.01%	84.99%
CSX Corp.	29.30%	70.70%
Norfolk Southern	23.08%	76.92%
Union Pacific	15.67%	84.33%
Mean	**20.77%**	**79.23%**
Weighted Mean	**19.63%**	**80.37%**

REMARKS

* Market Value of Debt: 5.25% (Corporate Baa)

** Market Value of Pref. Equity: 6.59% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	**10.51%**
CAPM: Total NYSE	**10.26%**
CAPM: Supply Side	**9.94%**
CAPM: Deciles 1 & 2	**9.64%**
Division's Risk Premium	**8.73%**
DGM: Earnings & Dividend	**16.64%**
DGM: Plowback Ratio	**14.34%**
Reconciled Equity Rate	**13.58%**
Debt/Equity Structure	**20.00% / 80.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.62%
x Industry Beta	1.20
Industry Risk Premium	7.94%
Add: Risk-Free Rate	2.57%
Indicated Rate	**10.51%**

CAPM: FULL NYSE

Market Risk Premium	6.41%
x Industry Beta	1.20
Industry Risk Premium	7.69%
Add: Risk-Free Rate	2.57%
Indicated Rate	**10.26%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Can. National Railway	27.53%	0.78 (A)	1.15
Can. Pacific Railway	24.51%	1.00 (B+)	1.30
CSX Corp.	39.09%	0.89 (B++)	1.20
Genesee & Wyoming	27.41%	1.00 (B+)	1.25
Kansas City South'n	36.42%	1.00 (B+)	1.35
Norfolk Southern	36.80%	0.89 (B++)	1.10
RailAmerica	31.92%	1.11 (B)	1.10
Union Pacific	37.29%	0.78 (A)	1.15
Mean	**32.62%**	**0.93**	**1.20**

CAPM: SUPPLY SIDE

Market Risk Premium	6.14%
x Industry Beta	1.20
Industry Risk Premium	7.37%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.94%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.89%
x Industry Beta	1.20
Industry Risk Premium	7.07%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.64%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.62%
x Industry Financial Strength	0.93
Industry Risk Premium	6.16%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.73%**

COMMENTS ABOUT THE RAILROAD - SHORTLINE INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Can. National Railway	$77.22	$1.30	13.00%	12.50%	12.75%	14.43%
Can. Pacific Railway	$65.00	$1.20	13.50%	8.50%	11.00%	12.85%
CSX Corp.	$21.02	$0.48	17.50%	20.50%	19.00%	21.28%
Genesee & Wyoming	$60.58	-	18.00%	-	18.00%	-
Kansas City South'n	$67.94	-	23.00%	-	23.00%	-
Norfolk Southern	$72.85	$1.72	13.50%	10.50%	12.00%	14.36%
RailAmerica	$14.53	-	28.00%	-	28.00%	-
Union Pacific	$105.35	$2.40	16.00%	20.00%	18.00%	20.28%
Indicated Rate						**16.64%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Can. National Railway	$77.22	$1.30	18.50%	74.00%	13.69%	15.37%
Can. Pacific Railway	$65.00	$1.20	13.00%	72.00%	9.36%	11.21%
CSX Corp.	$21.02	$0.48	22.00%	72.00%	15.84%	18.12%
Genesee & Wyoming	$60.58	-	-	-	-	-
Kansas City South'n	$67.94	-	-	-	-	-
Norfolk Southern	$72.85	$1.72	15.00%	71.00%	10.65%	13.01%
RailAmerica	$14.53	-	-	-	-	-
Union Pacific	$105.35	$2.40	17.00%	69.00%	11.73%	14.01%
Indicated Rate						**14.34%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Can. National Railway	5,878.0	340.0	2.89%	6,264.0	-	-	77.22	459.4	35,474.9
Can. Pacific Railway	4,042.5	257.2	3.18%	4,595.2	-	-	65.00	169.2	10,998.0
CSX Corp.	8,160.0	552.0	3.38%	9,679.2	-	-	21.02	1,111.0	23,353.2
Genesee & Wyoming	532.6	13.0	1.22%	348.7	-	-	60.58	41.8	2,532.2
Kansas City South'n	1,676.2	130.0	3.88%	2,192.4	0.2	3.0	67.94	102.6	6,970.6
Norfolk Southern	6,782.0	440.0	3.24%	7,813.8	-	-	72.85	357.4	26,036.6
RailAmerica	574.9	48.0	4.17%	793.9	-	-	14.53	54.9	797.7
Union Pacific	8,765.0	530.0	3.02%	9,623.4	-	-	105.35	491.6	51,790.1
Total				**41,310.6**		**3.0**			**157,953.3**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Can. National Railway	15.01%	84.99%
Can. Pacific Railway	29.47%	70.53%
CSX Corp.	29.30%	70.70%
Genesee & Wyoming	12.10%	87.90%
Kansas City South'n	23.95%	76.05%
Norfolk Southern	23.08%	76.92%
RailAmerica	49.88%	50.12%
Union Pacific	15.67%	84.33%
Mean	**24.81%**	**75.19%**
Weighted Mean	**20.73%**	**79.27%**

REMARKS

* Market Value of Debt: 5.25% (Corporate Baa)

** Market Value of Pref. Equity: 6.59% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	**9.79%**
CAPM: Total NYSE	**9.56%**
CAPM: Supply Side	**9.26%**
CAPM: Deciles 1 & 2	**8.99%**
Division's Risk Premium	**9.72%**
DGM: Earnings & Dividend	**10.16%**
DGM: Plowback Ratio	**5.98%**
Reconciled Equity Rate	**9.89%**
Debt/Equity Structure	**25.00% / 75.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.62%
x Industry Beta	1.09
Industry Risk Premium	7.22%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.79%**

CAPM: FULL NYSE

Market Risk Premium	6.41%
x Industry Beta	1.09
Industry Risk Premium	6.99%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.56%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
AT&T Inc.	39.30%	0.67 (A+)	0.75
Clearwire Corp.	NMF	1.44 (C)	1.30
Leap Wireless	NMF	1.44 (C)	1.45
Metro PCS Communic.	38.07%	1.11 (B)	1.00
Sprint Nextel Corp.	NMF	1.22 (C++)	1.30
U.S. Cellular	33.87%	1.00 (B+)	1.10
Verizon Communic.	NMF	0.67 (A+)	0.70
Mean	**37.08%**	**1.08**	**1.09**

CAPM: SUPPLY SIDE

Market Risk Premium	6.14%
x Industry Beta	1.09
Industry Risk Premium	6.69%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.26%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.89%
x Industry Beta	1.09
Industry Risk Premium	6.42%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.99%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.62%
x Industry Financial Strength	1.08
Industry Risk Premium	7.15%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.72%**

COMMENTS ABOUT THE WIRELESS TELECOMS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
AT&T Inc.	$30.17	$1.76	7.50%	3.50%	5.50%	11.33%
Clearwire Corp.	$1.92	-	-	-	-	-
Leap Wireless	$8.49	-	-	-	-	-
Metro PCS Communic.	$8.24	-	17.00%	-	17.00%	-
Sprint Nextel Corp.	$2.31	-	-	-	-	-
U.S. Cellular	$43.40	-	10.50%	-	10.50%	-
Verizon Communic.	$40.05	$2.00	6.00%	2.00%	4.00%	8.99%
Indicated Rate						**10.16%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
AT&T Inc.	$30.17	$1.76	13.00%	5.00%	0.65%	6.48%
Clearwire Corp.	$1.92	-	18.50%	18.50%	3.42%	-
Leap Wireless	$8.49	-	17.50%	17.50%	3.06%	-
Metro PCS Communic.	$8.24	-	11.00%	11.00%	1.21%	-
Sprint Nextel Corp.	$2.31	-	30.50%	27.50%	8.39%	-
U.S. Cellular	$43.40	-	6.50%	6.50%	0.42%	-
Verizon Communic.	$40.05	$2.00	12.00%	4.00%	0.48%	5.47%
Indicated Rate						**5.98%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
AT&T Inc.	62,326.0	3,500.0	2.81%	46,768.0	-	-	30.17	5,911.1	178,337.9
Clearwire Corp.	4,019.3	500.0	6.22%	5,696.5	-	-	1.92	243.5	467.5
Leap Wireless	3,218.9	245.0	3.81%	3,043.2	-	-	8.49	78.4	665.6
Metro PCS Communic.	4,711.0	280.0	2.97%	3,686.0	-	-	8.24	355.3	2,927.7
Sprint Nextel Corp.	16,272.0	960.0	2.95%	12,661.8	-	-	2.31	2,988.0	6,902.3
U.S. Cellular	880.4	58.0	3.29%	744.3	-	-	43.40	85.5	3,710.7
Verizon Communic.	46,285.0	1,750.0	1.89%	26,432.5	-	-	40.05	2,828.1	113,265.4
Total				**99,032.3**		**-**			**306,277.1**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
AT&T Inc.	20.78%	79.22%
Clearwire Corp.	92.42%	7.58%
Leap Wireless	82.05%	17.95%
Metro PCS Communic.	55.73%	44.27%
Sprint Nextel Corp.	64.72%	35.28%
U.S. Cellular	16.71%	83.29%
Verizon Communic.	18.92%	81.08%
Mean	**50.19%**	**49.81%**
Weighted Mean	**24.43%**	**75.57%**

REMARKS

* Market Value of Debt: 8.17% (Corporate B1)

** Market Value of Pref. Equity: 6.59% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	**8.33%**
CAPM: Total NYSE	**8.15%**
CAPM: Supply Side	**7.91%**
CAPM: Deciles 1 & 2	**7.69%**
Division's Risk Premium	**9.92%**
DGM: Earnings & Dividend	**23.66%**
DGM: Plowback Ratio	**6.08%**
Reconciled Equity Rate	**11.19%**
Debt/Equity Structure	**60.00% / 40.00%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Alaska Communic.	44.00%	1.33 (C+)	0.80
CenturyLink Inc.	38.50%	0.89 (B++)	0.75
Cincinnati Bell	40.00%	1.33 (C+)	1.05
Frontier Communic.	38.00%	1.11 (B)	0.90
Shenandoah Telecom.	40.00%	0.89 (B++)	0.80
Windstream Corp.	39.50%	1.11 (B)	0.90
Mean	**40.00%**	**1.11**	**0.87**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.62%
x Industry Beta	0.87
Industry Risk Premium	5.76%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.33%**

CAPM: FULL NYSE

Market Risk Premium	6.41%
x Industry Beta	0.87
Industry Risk Premium	5.58%
Add: Risk-Free Rate	2.57%
Indicated Rate	**8.15%**

CAPM: SUPPLY SIDE

Market Risk Premium	6.14%
x Industry Beta	0.87
Industry Risk Premium	5.34%
Add: Risk-Free Rate	2.57%
Indicated Rate	**7.91%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.89%
x Industry Beta	0.87
Industry Risk Premium	5.12%
Add: Risk-Free Rate	2.57%
Indicated Rate	**7.69%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.62%
x Industry Financial Strength	1.11
Industry Risk Premium	7.35%
Add: Risk-Free Rate	2.57%
Indicated Rate	**9.92%**

COMMENTS ABOUT THE WIRELINE TELECOMS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Alaska Communic.	$2.97	$0.20	52.50%	-	52.50%	59.23%
CenturyLink Inc.	$37.19	$2.90	-2.00%	3.00%	0.50%	8.30%
Cincinnati Bell	$3.07	-	11.50%	-	11.50%	-
Frontier Communic.	$5.01	$0.75	4.00%	-4.00%	-	-
Shenandoah Telecom.	$10.45	$0.33	7.00%	6.00%	6.50%	9.66%
Windstream Corp.	$11.85	$1.00	9.00%	-	9.00%	17.44%
Indicated Rate						**23.66%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Alaska Communic.	$2.97	$0.20	-	-	-	-
CenturyLink Inc.	$37.19	$2.90	8.00%	0.50%	0.04%	7.84%
Cincinnati Bell	$3.07	-	-	-	-	-
Frontier Communic.	$5.01	$0.75	7.00%	-	-	-
Shenandoah Telecom.	$10.45	$0.33	13.00%	9.00%	1.17%	4.33%
Windstream Corp.	$11.85	$1.00	-	23.50%	-	-
Indicated Rate						**6.08%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Alaska Communic.	564.2	38.4	3.40%	491.0	-	-	2.97	44.7	132.8
CenturyLink Inc.	21,142.0	1,050.0	2.48%	14,586.4	-	-	37.19	304.9	11,339.2
Cincinnati Bell	2,508.8	185.0	3.69%	2,322.9	10.4	157.8	3.07	201.0	617.1
Frontier Communic.	8,151.1	400.0	2.45%	5,576.4	-	-	5.01	993.9	4,979.4
Shenandoah Telecom.	164.1	8.0	2.44%	111.7	-	-	10.45	23.8	248.7
Windstream Corp.	7,296.6	535.0	3.67%	6,726.0	-	-	11.85	504.3	5,976.0
Total				**29,814.4**		**157.8**			**23,293.2**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Alaska Communic.	78.71%	21.29%
CenturyLink Inc.	56.26%	43.74%
Cincinnati Bell	80.08%	19.92%
Frontier Communic.	52.83%	47.17%
Shenandoah Telecom.	30.99%	69.01%
Windstream Corp.	52.95%	47.05%
Mean	**58.64%**	**41.36%**
Weighted Mean	**56.27%**	**43.73%**

REMARKS

* Market Value of Debt: 8.13% (Corporate Ba2)

** Market Value of Pref. Equity: 6.59% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	12.24%
CAPM: Total NYSE	11.93%
CAPM: Supply Side	11.53%
CAPM: Deciles 1 & 2	11.17%
Division's Risk Premium	11.18%
DGM: Earnings & Dividend	0.00%
DGM: Plowback Ratio	0.00%
Reconciled Equity Rate	**12.24%**
Debt/Equity Structure	**60.00% / 40.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.62%
x Industry Beta	1.46
Industry Risk Premium	9.67%
Add: Risk-Free Rate	2.57%
Indicated Rate	**12.24%**

CAPM: FULL NYSE

Market Risk Premium	6.41%
x Industry Beta	1.46
Industry Risk Premium	9.36%
Add: Risk-Free Rate	2.57%
Indicated Rate	**11.93%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Clearwire Corp.	NMF	1.44 (C)	1.30
FiberTower Corporation	NMF	1.44 (C)	1.95
Level 3 Communic.	NMF	1.22 (C++)	1.25
tw telecom	NMF	1.11 (B)	1.35
Mean	**38.50%**	**1.30**	**1.46**

CAPM: SUPPLY SIDE

Market Risk Premium	6.14%
x Industry Beta	1.46
Industry Risk Premium	8.96%
Add: Risk-Free Rate	2.57%
Indicated Rate	**11.53%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.89%
x Industry Beta	1.46
Industry Risk Premium	8.60%
Add: Risk-Free Rate	2.57%
Indicated Rate	**11.17%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.62%
x Industry Financial Strength	1.30
Industry Risk Premium	8.61%
Add: Risk-Free Rate	2.57%
Indicated Rate	**11.18%**

COMMENTS ABOUT THE BROADBAND TELECOMS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Clearwire Corp.	$1.92	-	-	-	-	-
FiberTower Corporation	$0.25	-	-	-	-	-
Level 3 Communic.	$16.78	-	20.00%	-	20.00%	-
tw telecom	$19.45	-	33.00%	-	33.00%	-
Indicated Rate						**0.00%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Clearwire Corp.	$1.92	-	18.50%	18.50%	3.42%	-
FiberTower Corporation	$0.25	-	-	-	-	-
Level 3 Communic.	$16.78	-	-	-	-	-
tw telecom	$19.45	-	14.00%	14.00%	1.96%	-
Indicated Rate						**0.00%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Clearwire Corp.	4,019.3	500.0	6.22%	4,901.2	-	-	1.92	243.5	467.5
FiberTower Corporation	171.8	0.7	0.20%	30.9	-	-	0.25	50.0	12.5
Level 3 Communic.	7,420.0	265.0	1.79%	3,363.5	-	-	16.78	111.4	1,869.3
tw telecom	1,349.5	80.0	2.96%	886.5	-	-	19.45	150.6	2,929.2
Total				**9,182.1**		**-**			**5,278.5**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Clearwire Corp.	91.29%	8.71%
FiberTower Corporation	71.20%	28.80%
Level 3 Communic.	64.28%	35.72%
tw telecom	23.23%	76.77%
Mean	**62.50%**	**37.50%**
Weighted Mean	**63.50%**	**36.50%**

REMARKS

* Market Value of Debt: 9.90% (Corporate B3)

** Market Value of Pref. Equity: 6.59% (Baa)